

factory there, and moving production either to Mexico or Argentina. The displacement of high paying, middle class manufacturing jobs across the U.S. is fueled by NAFTA, and will only worsen if the proposed Free Trade Area of the Americas agreement ignores the plight of workers. With NAFTA and FTAA, only investment is given free rein in our hemisphere. Our goal is "Fair Trade, Free People."

Meanwhile, 3,200 multinational firms located in the maquiladora zone have shaped the modern scourge of the dreaded sweatshop. Nearly one million Mexicans, largely women, work in high productivity poverty, with no freely elected labor representation, no job security. The U.S.-Mexico border is plagued by alarming rates of tuberculosis, sewage effluent flowing into drinking water, moot environmental laws, and crumbling infrastructure that cannot bear the load being placed on it. Grinding poverty drives the immigration that is a primary subject of your visit.

The root causes of the immigration crisis lie in the deep and continuing disparity between compensation and living standards of workers on either side of our border. Our continent needs a common minimum wage and common labor standards. Trade agreements MUST recognize and include labor rights in the central bodies of their accords. No nation of conscience should ignore the plight of the dispossessed, the worker without representation, the small holders and campesinos and indigenous people who have no voice. As the powerful force of capital moves across borders so must labor have equal status in any economic accord. Further, NAFTA remains seriously deficient in providing structural adjustment assistance to cushion intercontinental economic integration.

Trade relationships should yield mutually beneficial economic and social benefits, not a legacy of growing political instability. Our U.S. trade relationship with Mexico is becoming increasingly distorted. Before NAFTA, the U.S. held a \$3 billion surplus with Mexico. Post NAFTA, the U.S. surplus has turned into a growing cumulative deficit of over \$140 billion, with last year's record high of \$30 billion. In Mexico, we have witnessed the devaluation of the peso, wage cutbacks, and now job terminations in the maquilas due to a U.S. economic slowdown. Indeed, northern Mexico has become the low wage export platform to the U.S. that opponents of NAFTA predicted. Nearly 90% of maquila production is exported back to the U.S. (and nearly the same from our Canadian counterparts) as Mexico becomes a vast importer of goods from Asia. Long term, this is an economic relationship that is damaging to our continent. The current economic arrangement means the workers of Mexico cannot afford to buy what they make, and their U.S. counterparts lose their living wage jobs as the downward pressure on remaining jobs continues unabated. High productivity poverty with hunger wages in Mexico and displaced U.S. workers do not good neighbors make. As the slogan reads, justice must come to the maquiladoras.

In the countryside, the story is even worse. Over 30 million Mexican farmers are being cruelly uprooted from their historic lands. This is a continental sacrilege of enormous proportions. Some, understandably, escape across our border. Some die in the Arizona desert. Others seek shelter in Mexico City's sprawling metropolis as overextended local services strain under the crush of rapid population growth. Last year, over 360 Mexicans

seeking refuge or work died at our border. What kind of cruel economic system is it that tramples on their humanity and pits then against farmers and workers in our countryside who have labored for a century to gain sustenance and a decent way of life, collective bargaining rights, and dignity in the work place? An Intercontinental Agricultural Working Committee must be included as a key component of the Intercontinental Organization I propose.

President Bush, I understand that during your visit to our community you seek to discuss "common problems on our border, problems with drug interdiction, problems with environmental issues, problems with water and immigration." I can assure you that every single one of these problems arises from a flawed NAFTA agreement that leaves working people and the social compact out of the investment equation. It took our nation nearly a century, and a Civil War, to reject a form of indentured servitude in which workers were chattel. Our society still bears the scars of that war. In Mexico, I have witnessed the fear of workers bound to an economic system in which they hold no independent voice, where independent collective bargaining for the value of their work is impossible, and where their hard work and high productivity yield only more poverty. Here at home, I have witnessed our middle class workers who have struggled to build a way of life have the rug pulled out from under them by forces beyond their control. This surely cannot be your blueprint for our continent in this new millennium.

Something is seriously wrong when workers do not earn enough to buy what they make. It troubles me greatly that in Toluca, Mexico workers who assemble the popular PT Cruisers for DaimlerChrysler do not earn a living wage; every single one of the cars they build are shipped to the U.S. Reciprocally, it bothers me greatly that Toledo's DaimlerChrysler workers who attempted to bid on some portion of backlogged PT Cruiser production were summarily turned down. Since all the production from the Toluca plant is sent through the backdoor into the U.S., why shouldn't the workers in both plants be covered by the same collective bargaining agreement, along with their supplier firms? Otherwise, all that production yields from a continental standpoint is a race to the bottom for the workers.

Equally, in the countryside, it troubles me that northwest Ohio's fresh tomato and pickle businesses are increasingly threatened by Sinaloa plants and packing sheds. Yet field workers in both nations have no hope of a better life as their production is pitted against one another and they compete for survival wage jobs. Again, our continent needs an open forum in which to address and grapple with these serious questions.

Finally, I extend to you both an invitation to travel with bipartisan delegations from both countries. Let us tour U.S. and Mexican production sites, industrial and agricultural. Let us freely hear from the workers. Let us for the sake of the common good explore openly the dimensions of NAFTA that must be repaired. Let us do what is just. We should strive for an intercontinental accord that elevates our people, not exploits them, that uses the power of economic development and the marketplace to spur the necessary social and physical infrastructure to build great nations and treat our people with respect.

Pope John Paul II captured the essence of the challenge before us when he wrote:

"The market imposes its way of thinking and acting and stamps its scale of values upon behavior."

"What is happening is that changes in technology and work relationships are moving too quickly for cultures to respond. Social, legal and cultural safeguards are vital."

"Globalization often risks destroying these carefully built up structures, by exacting the adoption of new styles of working, living and organizing communities."

"Globalization must not be a new version of colonization."

The Pope stressed that on its course towards globalization, humanity cannot do without an ethical code which must be "wholly independent from financial, ideological or political partisan views. . . . Humanity can no longer do without a common code of ethics."

To this end, I would dedicate my full energies, as would the people of our community.

Most sincerely,

MARCY KAPTUR,
Member of Congress.

THE STATE OF AMERICA'S BUDGET, THE FATE OF THE BUDGET SURPLUS, AND DILEMMAS TO COME

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Maine (Mr. ALLEN) is recognized for 60 minutes as the designee of the minority leader.

Mr. ALLEN. Mr. Speaker, I rise tonight to discuss the topic that is foremost on the minds of many Americans, which is the state of our budget, the question of what happened to the surplus that existed in this country in the Federal budget only a few short months ago, and the consequences of the change and the dilemmas that we face over the next few years.

What has happened recently, of course, by now is well known. Both the Office of Management and Budget and the Congressional Budget Office have come up with revised projections of the surplus for this year and for the next 10 years. Those surplus projections are, of course, dramatically different from what the President was saying and what my friends on the Republican side of the aisle were saying just a few short months ago.

As an example of the kind of statement that the President was making when he was traveling across the country pitching his tax cut, I thought I would give this example of what he said in Portland, Maine, in my district on March 23 of this year.

This was his basic argument. He said, "Now I know these numbers sound like a lot, but this is reality I'm talking about. We have increased discretionary spending by 4 percent, we pay down \$2 trillion worth of debt, we set aside \$1 trillion in the budget over a 10-year period for contingencies, and guess what, there's still money left over, and that's the debate. The fundamental question is, what to do with it."

Today we know there is no money left over. Apart from some small surplus over the next 5 or 6 years in the

Medicare and Social Security accounts, a very small surplus, there is no surplus over the next 5 years. In fact, almost all of what remains of the surplus is in fact a Social Security surplus that is primarily in the second 5 years of the next decade and not in the next 5 years.

What I want to do tonight is to begin by focusing on some of these statements. The first one worth calling attention to is the statement of the President that "We have increased discretionary spending by 4 percent."

Let us look at the reality. At the time, March 23, when he made this statement, the President had not submitted a budget for defense. As we all know now, he asked for a major increase in defense spending, over \$30 billion.

Let us take a look for a moment at a chart which shows or which compares this Administration's budget request to the last year of the Clinton administration's budget request. The Clinton administration asked for \$38 billion in fiscal year 2001, the year in which we are in, above budget outlays in fiscal year 2000; \$38 billion more last year. Of course, our current President has roundly criticized President Clinton and the previous administration for being big spenders, for spending out of control.

Members will note that that budget request is about a 6.7 percent increase in budget authority over the previous year. That is what President Clinton was asking for in his last year. Who is the big spender here? President Bush's request is \$44 billion, \$6 billion more than President Clinton requested in his last year in office.

This \$44 billion represents the extent to which that is the increase in budget outlays requested by this administration for fiscal year 2002 above the fiscal 2001 budget: a \$44 billion increase. That works out to almost around a 7.2 percent increase in budget authority.

When he was back in Portland in May, and in fact in speeches all around the country, the President said over and over again, "We are only asking for a 4 percent increase in discretionary spending, only 4 percent, and that is a reasonable. That is far less than the Clinton administration was asking."

But when the defense request rolls in and is considered, the President, this President, is actually asking for a bigger increase in spending than the previous administration did in its last year in office. That is part, but only part, of the problem.

Let us go back to another part of the statement that President Bush made in Portland, Maine, on March 23. He said, "We set aside \$1 trillion in the budget over a 10-year period for contingencies, and guess what? There is money left over."

I have been reading the newspapers, as any other American in the last

month and a half, and I have not heard one word, not one word, either in the press or from this administration, about the \$1 trillion in contingencies. Whatever happened to the \$1 trillion contingency fund? Surely a slight decline in economic productivity, a decline in economic growth in this year, which should have been able to be handled by \$1 trillion in contingencies.

□ 2030

Well, as the ad says, not exactly. There was not exactly a \$1 trillion fund for contingencies; and in fact, it was not there at all. Those contingencies were, in fact, obligations, and not all of them that we will have to meet in this Congress and with the administration over the next 10 years. There was no trillion dollar fund, a true contingency fund. It did not exist in March, and it clearly does not exist today.

Let us talk about what the situation is today. The truth is that this year, the fiscal year that ends on September 30, is very different from what it was projected earlier in this year. This year, the Government will tap \$29 billion from Medicare surplus taxes and \$9 billion from Social Security revenues simply to fund government operations for fiscal year 2002, for the coming fiscal year.

Over the next 5 years the President's tax cut and the decline in economic growth together will force a \$30 billion diversion from the Social Security Trust Fund and a \$170 billion diversion from the Medicare Trust Fund. These are uses of Medicare revenues and of Social Security revenues that virtually every Member of this House pledged not to do. Virtually every Member of this House stood up and said we are going to protect Social Security revenues, excess revenues, Social Security surplus, and we are going to protect the Medicare surplus; but today, it is very different.

These are, of course, CBO projections, the recent CBO projections; and, in fact, they are too conservative themselves to actually be realistic. Why? Because the way CBO does its projections, it assumes that there will be no change in existing law, and we know there will be changes in existing law.

Let me give a few examples. These baseline estimates do not assume any of the additional spending included either in the budget that President Bush has presented or the congressional budget resolution for defense, for education, or for a prescription drug benefit under Medicare. Those increases are simply not included in the CBO projections.

In fact, some of that funding will occur; and so the problem we have is one that was created by the fact that, as many of us said back in March and April, the President's tax cut was too big to be responsible budgeting. We

also argued it was too weighted to the wealthiest Americans, which it was and which it is.

Fundamentally, we argued at the time, we said over and over again, this will use up all of the available on-budget, non-Social Security, non-Medicare surplus; and as we said repeatedly, we have agreed not to use surplus funds for Medicare and Social Security.

Today, we know that the President's tax cut has threatened that possibility. I am not talking about the \$300 or the \$600 tax rebates that about 60 percent of American taxpayers have received or will receive. That is a relatively small factor in the problem that we face.

What I am talking about is what happens over the next few years. Over the next few years, compared to the last eight, during the greatest period of economic expansion in our Nation's history, what is happening over the next few years is we will divert billions and billions and billions of dollars to people in this country, the wealthiest 1 percent who earn over \$300,000 every single year.

Though we have enormous problems in this country, problems with finding qualified teachers to teach our young people, problems with ensuring that people who graduate from high school and want to go to college can actually get there and get the education they need to be productive citizens in this world, problems with those seniors in my district and all around the country who look at people who are employed who have health care, who get prescription drug coverage through their health care plan, they say to me, why do we not have prescription drug coverage through our health care plan, which is Medicare.

Those people need some help. They deserve some help. It is outrageous that the wealthiest country in the world at the time, until just recently, of its greatest prosperity, cannot somehow find the resources to provide our seniors with a prescription drug benefit that is comparable to the benefit that those Americans who are employed, who are working, have for a prescription drug benefit through their own insurance.

What is fair for our working people ought to be fair for our seniors. But back for a moment to the CBO projections.

As I said, the CBO estimates do not assume any additional spending included in the Bush budget or the congressional budget resolution for defense, for education or for Medicare prescription drugs. The figures also omit the cost of extending expiring tax credits, funding anticipated emergencies for natural disasters, or paying for the \$73.5 billion farm reauthorization bill for which the budget resolution provided.

Let us look at what this means over the next few years. The President's

budget alone plus his tax policies and spending requests invades the Social Security surplus for the next 6 years for a total of \$128 billion. It invades the Medicare surplus for the next 8 years for a total of \$304 billion. This year, fiscal year 2001 ending on September 30, the Government must tap \$29 billion from Medicare and \$9 billion from Social Security to fund routine government operations.

Now, one of the reasons that that is true in fiscal year 2001 is this administration, knowing that it faced a shortfall in next year, fiscal year 2002, they delayed the date on which certain corporate income taxes would have to be paid from September 30 to October 15. That is a gimmick. We can only do this once. The effect of that was to move \$33 billion in current revenues to the next fiscal year in revenues. When we move that \$33 billion, we are very close to creating the deficit that we have created in the current fiscal year. That kind of gimmick which now it appears this administration has adopted in a number of areas is irresponsible budgeting.

Let us go for a moment to a different chart. Let us go to a chart which talks about the impact of the surplus over the next several years. As this chart shows, the Bush budget wipes out the surplus. There is going to be a lot of debate in these Chambers about what happened to the surplus, not just what happened to that supposed \$1 trillion contingency fund, but what happened to the surplus.

It was not so long ago that people were saying we can see surpluses as far as the eye can see. Now they are gone. They are all gone. Here is basically what happened: the CBO in May 2001 baseline showed a surplus of \$2.745 trillion. Now, what has happened to that? Well, \$1.66 trillion of that is the total cost of the Bush tax cut. Then we have had an economic slowdown. That is also a factor. The economic slowdown and certain technical factors have caused us to lose another \$639 billion or .639 trillion dollars.

Now you have additional funding requests from the President of .767 trillion or \$767 billion, and it is the combination of these three factors that drive us into deficit over a 10-year period. Let me say a little bit about that surplus. This deficit and the surpluses are not distributed evenly over the next 10 years. In fact, if you look at a chart that shows year by year what happens to the surplus, in fact, there is either a deficit or a minuscule surplus for the next 5 years, and then you have a projected surplus over the second 5 years of the decade with the largest surplus of all, over \$200 billion in the final year.

Well, why is the largest piece of surplus the tenth year out? Well, another gimmick because basically what happened when the tax cut was passed, the

House passed a \$1.6 trillion tax cut. The other body passed a \$1.35 trillion tax cut, both of them calculated over 10 years. But when the conferees got together, they liked tax cuts so much, not just the \$300 and \$600 rebate this year, but tax cuts for the wealthy extending out over the 10-year period that really drained enormous amounts of revenue from the Federal budget, making it extraordinarily difficult to meet the educational, the health care, the environmental, and the job-training needs of our population.

When you look at that last year, you will find that the tax cut sunsets on December 31, 2010. So that the last year of this coming decade is one where the estate tax is back just as it is today, where the tax rates are back just as they are today. All of the tax code changes that are passed in the President's tax cut bill are eliminated and the tax code reverts to what it is today.

Why was that done? Well, it was done to keep all the tax breaks and yet to stay within a \$1.35 trillion number. That gimmick makes all of these budget numbers look actually better than they are in the real world.

In the real world this country faces some enormous challenges. This is going to be a difficult fall. I think Members on both sides of the aisle agree because we have gone from surpluses from the non-Social Security, non-Medicare accounts to deficits; and we have done it within just a few months of this administration's election to office. We have done it primarily, not exclusively, but primarily because the size of the Bush tax cut was so large as to be completely irresponsible.

That is why back in March, back in April, back in May so many of us on the Democratic side of the aisle were saying we ought to have a tax cut, we ought to have a large tax cut. It ought to be about \$800 billion. If we had set aside a tax cut, if we had done a tax cut of \$800 billion, we would not be running into deficit projections now. We, in fact, would have those funds to make sure that Social Security and Medicare would be shored up over the next few years and not at the risk of being weakened simply because of our irresponsible budgeting. We would be looking at fully funding special education.

I do not know anyone, Republican or Democrat, who is not hearing from people in his district about the need to live up to our commitment to fully fund special education at the 40 percent that, frankly, was the goal when the special education IDEA Act was enacted in 1974. But if the money is not there, if the surplus is gone, it will not happen. That is what we were saying.

We were saying that you cannot project over 10 years with any degree of confidence. Boy, were we right about

that one. We did not have to wait 2 years or 4 years or 5 years or 8 years to test the accuracy of these projections. In just 3 months, in just 3 months the numbers change dramatically. As you can see right here, minus \$639 billion dollars over 10 years, a change in the projection in just 3 months. But it is that kind of change that many of us were saying, you cannot predict the future with any degree of confidence; and, therefore, what we need to do is to be cautious, not have a tax cut so large that it eats up all of the budget surplus and causes us to dipping into revenues from Social Security and Medicare. We argued then it was irresponsible, and it is more clear than ever today that that course of action was, in fact, irresponsible.

I see that I am joined by a couple of my colleagues here tonight, and I want to recognize them in a few moments. I think I would like to close these brief remarks by saying this.

□ 2045

When Members look at what is happening with the tax cut, so large that it is jeopardizing our fiscal health, so large that it is making Alan Greenspan's actions at the Fed not as effective as they might be because people understand if we are moving straight to deficit as projections of surplus, long-term interest rates are going to stay up; and for businesses, for homeowners, for all of those people who borrow over some extended period of time, if long-term interest rates are going to stay up, we are not going to do as well. The Federal Government is going to be paying higher interest. The businesses will be paying higher long-term interest rates. Homeowners will be paying higher long-term interest rates.

Remember, this economy took off in 1993. This Congress and the administration said, we are going to cut spending and make sure that the very wealthiest Americans pay their fair share of taxes. What happened? Interest rates went down and the deficits turned into surpluses, and the economy took off. It is the reversal of those fundamental policies which is jeopardizing the economic health of this country which is so serious.

We are going to be debating in the next last few weeks and perhaps months about the budget. It is really fundamentally a debate about the future. Fundamentally it is a debate about whether we are going to reduce the amount that we spend together on those things that we can only do together.

What am I talking about is, Abraham Lincoln said in 1854, the role of governments is to do those things that a community of individuals cannot do or cannot do so well alone. We cannot create a public education system one by one, and yet every business in this country depends on having a well-educated, well-trained work force.

We cannot take care of our seniors one by one, individually. That is why Medicare and Social Security were created.

We cannot do an interstate highway system, we cannot provide for the common defense, we cannot lift up this country so that individuals in this country can reach their full potentials unless we use our government, as well as other voluntary associations, to do things together that we cannot do as individuals.

The fundamental theory underlying the President's tax cut was that we take every dollar out of Washington, and that is good. Even if that dollar would educate a kid who cannot get Head Start now because there is not enough money to serve every kid who qualifies for Head Start, even if that dollar would help seniors pay for prescription drugs when they are not taking their medicine now because they have to buy food instead, even if that dollar represents a loan to someone who could then go on and get the college education that they feel they need. That is what this country ultimately is all about. We are here somehow to help each other lift each other up, to hang together on things that are of fundamental public importance.

But this tax cut was about me and not about we. The health of this country depends on getting back and moving from me to we, from doing well, investing in ourselves, investing in this country, making sure that the people of this country have a fighting chance to get ahead. They cannot do that. They will not do that. They have no chance to do that. If the Federal Government slides back into deficits, if we cannot fund education, if we cannot fund health care and shore up the infrastructure of this country and provide opportunity for all of the people who live here and to our children.

The last thing we wanted to do was to shift expenses, shift costs from this generation to our children, but the President's tax cut was so large that is exactly what it is doing. Unless we make changes and unless we figure out how to get out of this problem, we are right back in deficits and we are jeopardizing the future of this country.

Mr. Speaker, I yield to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, first of all, I congratulate my colleague for bringing to the Nation this Special Order with regard to the budget and the dilemma that we find ourselves in this evening.

The gentleman from Maine (Mr. ALLEN) has been in the forefront of working on these issues and making the public aware, and I am happy to join him.

Mr. Speaker, our Nation is facing a serious shortfall in the budget. This is because the Congress and the President have chosen short-term reward over

the long-term benefit of paying down the debt and protecting Social Security and Medicare. There are colleagues of mine in the Congress who have not joined in this and have fought against the tax cut and against the proposed budget. But the majority of Congress unfortunately went along with the President on that tax cut, and we are all paying for that today.

Since February 7, 2001, I have been on record stressing the importance of protecting retirement security and enacting a prescription drug benefit. I want all Americans to see every penny they earn working for them.

Social Security is our system to protect retirement benefits for older people. Medicare provides seniors with health benefits. What could be a better use of our surplus than long-term security? If Americans could be guaranteed to pay \$300 or even \$600 and not have to worry about their retirement savings or health benefits from now to one's last years, Americans would do it. Many poorer Americans are told they need that \$300 check, but that money is nothing if Members think about the benefits that could be accrued if we collectively joined our money into a pool that would, in fact, fund a prescription drug benefit for seniors.

Thanks to the administration, we are all getting our refund checks now, and maybe some of us are able to put more money to our credit card debt, buy a little something for our homes or a luxury like a new pair of shoes. Then what? Can Americans take a prescription out of a bag of shoes? Can Americans take a prescription out of a luxury car? I think not.

Thanks to the President's refund and the state of our economy, the government is facing financial shortfalls. Instead of operating in a surplus and each party claiming credit, we are blaming one another for a deficit. The other party's leaders choose to ignore the advice of economists forecasting a shrinking surplus, and all indications are that the economy has begun to slow.

The surplus was once expected to be about \$125 billion. The Congressional Budget Office is estimating the present surplus is nearly zero. Things have changed over the last 3 months. The White House is spinning blame to the Congress, but it is unwilling to accept the fact that the President's tax cut has eaten up the surplus. Just like an 800-pound gorilla would go at a banana, it is all gone.

I join the gentleman from Missouri (Mr. GEPHARDT) and Senate Democrats in urging the President to resubmit a budget. America needs a budget reflecting the current downturn in the economy and the lack of a surplus.

Yesterday I held a prescription drug forum in my district with my colleague, the gentleman from Ohio (Mr. BROWN) who serves on the Committee

on Energy and Commerce. Together we discussed the issues of prescription drugs from their availability to the over-prescribing by many physicians and ways to make them more affordable, as well as potential legislation to correct the problem of exorbitantly high drug prices.

The event was highly informative, and I encourage my colleagues throughout the country to hold a similar event. I had more than 250 seniors gathered at the Jewish Community Center to talk about the issue of prescription drugs. I will continue to hold events to allow seniors in my district to air their grievances and help formulate answers on this issue.

The money that the President's tax cut will take out of the budget surplus affects these seniors. They are seeking a prescription drug benefit, seeking help to make ends meet and still be able to afford their medication. The Bush budget not only does not allot money for Social Security, but takes their Social Security and Medicare money away. They do not need \$300 to spend. This will not buy more than one prescription in many instances, because drugs for senior citizens are very expensive, and they are not able to afford them once they are placed on that prescription.

The tax cut is like a classic Trojan horse. The President is trying to convince us that he has delivered a lovely gift to the American people. But once inside the gate, this gift will prove to merely camouflage far more sinister designs: windfalls for the wealthy and a return to the bad days of deficits and inadequate funding.

How many employers of a business would award job bonuses to employees for the next 10 years in a row in advance, based on projected business income? We all know that is not good business sense. We tried this before, this whole thing about trickle-down economics. Remember the promise: If we give money back, the money will trickle-down to the most in need. Remember what happened: We found out that the poor got poorer and the rich got richer.

I just say to the American public that are listening this evening, we are pushing this President to reconsider the budget which has been submitted. The people who are most in need of help from a governmental budget are our seniors who have paid their taxes, who have worked very long and are being forced to spend their personal dollars down to nothing in order to get a governmental benefit.

I call upon my colleagues and the rest of this Congress and the Senate to do what is best and what is important, and I call upon this President who kept talking about throughout his campaign that he was going to help those most in need, to do what is right, resubmit this budget, put in a prescription drug benefit and make our seniors know that

we love them, want to support them and encourage them.

Mr. Speaker, I thank my colleague, the gentleman from Maine (Mr. ALLEN) for the opportunity to be heard.

Mr. ALLEN. Mr. Speaker, I appreciate the gentlewoman's comments. They help shed light on what the gentlewoman's constituents and many others are facing.

Mr. Speaker, the President's tax cut is the primary reason for the elimination of the surplus within just a few months of his administration. Now that we are in this predicament, it is up to him to come forward and say, how do we deal with this.

During the campaign, the President said I will not touch \$1 of the Social Security revenue. A few weeks ago, on August 24, 2001, he conceded that he might have to invade the Social Security surplus in time of war or recession. We are certainly not in a recession now.

Yesterday he said that he would not do anything that would invade the Social Security surpluses, but the Congressional Budget Office numbers say we are and we are doing it now. We are doing it this year, and there needs to be some leadership from the White House to explain how we possibly get out of this predicament.

The gentleman from Wisconsin (Mr. KIND) is here today, and I yield to the gentleman.

Mr. KIND. Mr. Speaker, I thank the gentleman from Maine (Mr. ALLEN) for organizing this Special Order and commend the gentlewoman from Ohio (Mrs. JONES) for the leadership that she has shown on important issues affecting Americans across the country, the Social Security and Medicare programs which are vitally important, the passion that she has for instituting a real prescription drug plan, which was on everyone's agenda in last year's campaign.

Vice President Gore, virtually every Member of Congress, when we were running for Congress last year, were talking about the need to deal with the rising cost of prescription drugs, but no one has highlighted this issue more than the gentleman from Maine (Mr. ALLEN), who organized this Special Order.

He saw this problem quite awhile ago, and saw the impact that this was having on seniors on fixed incomes. He has been providing leadership in this Congress in trying to institute a bipartisan prescription drug plan, as well as talking about the importance of maintaining the solvency of Social Security and Medicare. That is really what this discussion is about tonight. That is why I commend the gentleman from Maine for talking about it.

Mr. Speaker, it is all about how do we, given the current situation, the economic slowdown and the budget numbers that we are facing, maintain

fiscal discipline in this Congress so we can maintain the solvency and protect the sanctity of the Social Security and Medicare programs.

□ 2100

The way I see it, the greatest fiscal challenge our country is facing today is the fact that we have an aging population, a population that is getting older, and a baby boom generation who will all start to retire at basically the same time, 2015, 2020, thereabouts, and they will all be bigger, these programs, Social Security and Medicare, at about the same time. So what can we do today in order to deal with that advent we know is going to come and is going to hit our country but especially affect our children and our grandchildren that is going to make sense?

One of the areas is maintaining fiscal discipline. That is why it took so long in order to turn the corner and be able to start walling off both the Social Security and Medicare trust funds. It is a pledge that virtually every Member on this floor has made over the last few years. It is a pledge that the current administration and the President in the White House now made in last year's campaign, and it is a pledge that is in serious jeopardy today in light of the new Congressional Budget Office numbers. These numbers are important, because the issue is one that is very simple, and that is being able to protect these trust funds and keep its dedicated purpose for reducing the publicly held national debt.

Why is this so important? The question before us is will it be easier for us to deal with the advent of the baby boom generation going into retirement if we also have to deal simultaneously with paying off all the Federal IOUs that are in our Federal debt today? I submit that that is an impossible proposition to meet, dealing with the aging population, with the huge inflow of the population in Social Security and Medicare, paying off those IOUs that are currently in the trust fund while at the same time we are being asked to pay off the Federal debt and the publicly held Federal debt.

That is why it makes such good sense, fiscal sense, to take this opportunity now of preserving this trust fund money, reducing the national debt, so we are on much sounder fiscal footing to deal with the aging population. That is really what this debate is about.

Yes, the President is correct in saying that dipping into the trust fund today is not going to affect the current payments going out to current recipients. That is true. Because IOUs are still going to be added to those trust fund accounts. But if the money behind the IOUs is meaningless and spent for other purposes, then why do we not just reduce FICA taxes today, still continue to throw the paper IOUs in these

trust funds and deal with it when they come due which is what I am hearing the current administration basically proposing.

Mitch Daniels, the Director of the Office of Management and Budget in the administration, is basically saying that there is nothing inherently wrong with using the trust fund for a plus-up in defense spending, for instance, because the country is still going to meet those IOUs that are added to the trust fund.

But if we are not taking this opportunity to reduce the national debt today, it is going to make it very difficult to meet those obligations in the future. I think that is such a fundamental point in this entire debate. The difference in these numbers must be important whether we are looking at Congressional Budget Office numbers or Office of Management and Budget, the administration's budget numbers, because, correct me if I am wrong and maybe the gentleman from Maine has a better memory than this, but back in 1995 when the Republican leadership in Congress decided to take on the Clinton budget numbers, it was over the stated purpose that the Clinton administration was relying on their own OMB numbers to justify their budget calculations rather than relying on the Congressional Budget Office numbers.

Now we have the same situation today, where many of us are crying foul because of the bookkeeping and the gimmicks that are being played with OMB numbers, I mean some bookkeeping changes that have not been made in the last 35 years in order to pretend as if we are not dipping into these trust funds. I think there is some political rhetoric being used here in what numbers we are using, but the fundamental point is that I am hoping that this Congress and the administration working with us will be able to find a bipartisan solution to continue using the trust fund money to reduce our national debt so we are going to be in the fiscal position to deal with the aging population and the baby boomers when it comes time for them to retire and start entering these very important programs.

Mr. ALLEN. I had a couple of thoughts that were triggered by the gentleman's comments. First of all, the gentleman from Wisconsin is correct. It was the Republicans insisting on using CBO numbers and not OMB numbers because they said then the CBO numbers were more accurate than the OMB numbers. The same holds true today.

Mr. KIND. As the gentleman recalls, the ultimate outcome of that insistence back in 1995 led to the shutdown of the Federal Government. Because the leadership in Congress was insistent that the administration use CBO numbers rather than OMB numbers and it led to the shutdown of the government which as we later found out was

not exactly popular with the vast majority of Americans throughout the country.

Mr. ALLEN. And not something we want to go through again. But there is a further point in that connection. I had another chart but I do not have it here today which shows that during the first Bush administration, the economic projections from OMB as to the health of the economy were always significantly above, about .8, .7 percent above the consensus private forecasts. That is about what the first year of this administration's projections of economic growth are above the private forecasts. So now under both the first Bush administration and now the second Bush administration, we see that OMB is more optimistic about the economy than the private forecasts.

You have to say to yourself, what is going on here? They are trying to make the numbers look good so the budgets look good so they can get through an immediate funding crisis. If you look at the Clinton administration, in the 8 years of the Clinton administration, only in 2 years were the OMB projections above the consensus private forecasts. In 2 of those years, they were exactly the same. In the other 4 years, they were actually lower. They were more conservative than the consensus private forecasts. One of the disturbing aspects of this administration in its first few months is that it looks and feels as if the Office of Management and Budget has become an arm of the spin machine, that numbers are being manipulated, not just numbers related to projections of future economic growth but numbers that make the accounting change in Social Security that the gentleman was referring to, the gimmick I mentioned earlier about moving \$33 billion in corporate tax revenues from 2001 to 2002, all of these gimmicks, all of this manipulation is really a way to kind of make the numbers come out right.

But that is not the way we ought to be doing our budgeting. It is not conservative. It is not fiscally responsible. We ought to be getting the best numbers we can and then be arguing policy. But we should not have to be doing what we have wound up doing the first few months of this administration which is arguing about the accuracy of the numbers. That did not happen to anything like this extent before. It really is important that OMB get back on track with CBO and stop manipulating numbers because we have got a real problem.

Mr. KIND. These are not insignificant differences, a percentage point here, a percentage point there on projected economic growth. When you project it out over 4, 5, 10 years, these numbers explode on you. And so it is important that we deal with an accurate projection and description of what the economy is doing and forecasting.

When you see the OMB starting to manipulate these numbers, have these gimmicks within the bookkeeping system that have never been tried before in the last 40 years, it undermines the confidence that many of us have in the numbers that the administration is using in order to justify their budget requests. And it makes it a much more difficult proposition then to work in a bipartisan fashion to reach agreement on these important issues. That is why many of us earlier in the year when we were discussing the merits of a tax cut of this size were using more conservative numbers. Many of us supported an alternative tax proposal, one that was based on more conservative economic figures because we felt it was prudent and made fiscal sense to hedge our bets a little bit because as quickly as the surplus can appear, many of us knew it could disappear.

Given the incredible size of our Nation's economy, a slight change in growth one way or the other was going to have a huge impact on budgetary decisions before this Congress. So many of us supported an alternative tax relief plan that would provide meaningful tax relief to working families, dealt with the marriage penalty, dealt with estate tax relief or family-owned businesses and family farms but within a more fiscally responsible framework, not of the magnitude of the tax cut that was ultimately passed and which is now having the most important impact on dipping into the Social Security trust fund again.

The reason why many of us felt it was important to be somewhat conservative was because of the obligations our Nation faced, of Social Security, Medicare, trying to come up with a bipartisan prescription drug plan that was going to provide meaningful relief to our seniors who are suffering under this burden of escalating drug prices that they need to have, our obligations to a strong national defense, just quality of life with our military personnel.

This was not going to come cheap. In fact, the President is still calling for a 9 percent increase in defense spending, roughly \$20 billion that does not exist right now. It puts a lot of us in a tough position that supported many of these policy proposals but because of the slowdown because of the magnitude of the tax cut, it is going to make it very difficult for us to meet these obligations for our Nation.

Mr. ALLEN. Again, I think what we are trying to say is that if any of us have a child 5 or 10 years away from going to college and we know we are going to be paying for that out of our own pockets, the prudent thing to do is start setting aside some money to pay for the college expenses. If we are the owners of a business and we can see that we have reached the capacity of growth within our existing buildings

and we are either going to grow and do a major expansion or we are going to be at a competitive disadvantage and we have to do that in 3 or 4 or 5 years, we would start to figure out how to set aside funds to be able to do that when the time comes.

We are, as a country, in the same spot with respect to Social Security and Medicare. We know that the leading edge of the baby boom generation within 9 or 10 years is going to start to qualify for those two programs. So as many of us have argued over and over and over again, even though we have lost the point on the debate in the tax cut, we have said what is prudent to do is to use the Social Security and Medicare surpluses to pay down the national debt, to reduce the amount we pay in interest costs on the national debt, to be ready to wade in and support those two programs when the baby boom generation starts to move into them. That would be prudent fiscal planning. It is not prudent to go out and take a big vacation right now and spend all of the surplus over the next 5 or 6 years based on projections that we knew even a few months ago were inherently unreliable.

I want to come back to the way I began, the statement that the President made in Portland, Maine on March 23. He said, "We've increased discretionary spending by 4 percent." Not exactly. Right now, now that the defense budget is in, that 4 percent number is 7.2. It should read, "We've increased discretionary spending by 7.2 percent," 7.2 percent more than the Clinton administration did in the last year of that administration.

He also said, "We set aside \$1 trillion in the budget over a 10-year period for contingencies." Well, not exactly. It was not true then. It is not true now. If it were true then, if there were truly a contingency fund, we would not be in the dilemma that we are in today because we have not had a loss of \$1 trillion just from economic or technical factors, although it is \$639 billion. This tax cut was rushed through. It was too big to be responsible, it was too weighted to the wealthiest Americans, and it was rushed through without considering either how the economic numbers, how the projections would work out over time and without even the President's own request for defense which has turned out to be by far the biggest increase, not education as he was saying in March, the biggest increase in his proposal.

If we are going to get back on track, we have to be honest about the numbers and honest about the claims and look at this problem we have with our budget, look at exactly what caused it, largely the tax cut, also the economic slowdown, also some additional requests for spending by the administration and also some other numbers that we have to deal with. But let us look at

the numbers honestly and let us try to figure out how to work our way through this to get the best result for the American people.

Mr. KIND. I do not want to speak on behalf of my friend from Maine, but for me really the crux of the issue is what decisions can we make in this body that will set up our younger generation, the next generation, for success later on in life, so that they can meet the obligations that they are going to face when the reins of leadership turn over to them. I fear that if we make it impossible by not reducing national debt, by not shoring up the Social Security and Medicare trust funds, it is going to be impossible for that next generation to meet those obligations and we will see a fiscal crisis never before witnessed in this Nation.

It is almost *deja vu* all over again as far as economic policy. We have seen this. It is really the repeat of Reaganomics back in the early 1980s where they ushered through this huge tax cut but also simultaneously tried paying for a huge increase in defense spending which led to year after year, a whole decade's worth of deficit financing which left us in a position of dealing with a \$5.7 trillion national debt.

□ 2115

The difference between that then and what we are facing today is back then the country could afford to make that mistake, because we had time to recover.

We do not have that luxury anymore. We have this aging population staring us in the face. They are going to start retiring in the next decade. We do not have the luxury of being able to deal with a fiscal mistake that was made and trying to dig ourselves out of that hole in time to prepare for this aging population.

That is really the big difference between the economic policies of the early eighties and the same type of economic policy being pursued today. We do not have that margin of error in order to correct the mistakes, to dig ourselves out of debt, as we were starting to succeed in doing throughout the decades of the 1990s. Instead, we apparently have now reversed track and have jeopardized the good work being done just a few short years ago.

Mr. ALLEN. What is so startling is all this has happened in just a few months, so those of us who were saying this is a reckless approach, this an irresponsible approach back in March and April, now find ourselves saying, you know, we told you this was a possible outcome. We told you that the policy was irresponsible. Now, Mr. President, how do we dig ourselves out of that?

I think that the point the gentleman was making about Social Security and Medicare, it is very true. But it is also true when I travel around my State of

Maine and talk to business owners, for example, they say to me, apart from health care, which seems to be their number one problem, the high cost of health care, they talk about the qualifications of the workforce. They realize that they are only going to succeed if they have well-trained, well-educated, well-qualified workers for the jobs which they need.

It gets harder and harder. If too many kids do not get Head Start, if you do not have enough spending on title I funds for kids from disadvantaged areas, if you are not fully funding special education in accordance with the promises made by this Congress in the past, if young people in this country do not have the funds to go on and get the college or technical college education they need, we are not going to be as strong a country, as competitive; and our businesses will not do as well. Those are simple facts.

Yet the examples I have given are examples of public investments. They cannot be made by our businesses. They cannot be made by individual families, many of whom are struggling and do not have the funds for private school or private college. They are only the kinds of investments that we can make together. We cannot make those investments together if all the money has gone in a tax cut that is too large to be responsible, where most of the money, or at least half of the money, is going to people in this country who make over \$300,000 a year.

We have to look again at this tax cut. We have to figure out how we can make sure that our overall budgeting over the next few years is reasonable, responsible, disciplined and conservative, not irresponsible and reckless, I guess I would say.

Mr. KIND. If the gentleman will yield further, with the drastic change in the budget numbers, and there is no sign of immediate economic recovery on the horizon, I think the responsible thing to do, one that really requires real leadership right now and a gut check, is for the administration to submit a new budget proposal, in light of the fact that their own numbers, a 7 percent increase in discretionary spending, is just not affordable right now within the context of the overall budget, unless, again, they are willing to dip into the Social Security and Medicare Trust Funds, which I do not think there is a lot of bipartisan support to do.

I think just about everyone in this Chamber now is on record supporting the lockbox proposal, walling off those trust funds, the surpluses being run in those programs for debt reduction; and that is why we are hoping that the administration, the President, will take a look at this and realize that things have changed.

That is okay. Mistakes are made from time to time. But we are still in

a position of being able to recover. We are not down this road that far yet. These numbers have just come out. We have not passed the next fiscal year's budget, so there is still time to recover.

It is going to require, I think, a whole lot of cooperation across the aisle and shared responsibility across the aisle to make this add up, to maintain some fiscal discipline, but also meet our obligations that exist.

We have an Elementary and Secondary Education Act we are trying to reauthorize that is going to require resources, bipartisan thinking, in order to solve that dilemma. We have the next farm bill reauthorization to come to the floor here shortly. Lord knows our family farmers are struggling to survive. You talk about a national security issue, food security ranks right up there at the top as well. We have that obligation to meet.

We also need to be thinking long term and maintaining the solvency again of these important programs, like Social Security, Medicare, so we are not just punting on this issue, which would be the easiest thing for us to do today. I think that is one of the reasons why the President appointed his Social Security commission, because he realizes we need to take a hard honest look at this and start finding some bipartisan solutions to the challenges we face.

We still have time to recover. I guess that is one hopeful note in tonight's discussion. Hopefully, we are going to get enough consensus and enough bipartisan work here in the coming weeks before the ultimate budget is passed to recover from the new economic realities and do the right thing for our kids.

I have got two little boys myself. I am a little concerned about the fiscal obligations they are going to be facing. The numbers are not working in their favor right now. With the generational trends with the aging population, more and more will be asked of the next generation to deal with these challenges. We can help by starting today in dealing with accurate economic numbers and making some probably pretty difficult choices in the weeks ahead.

I thank the gentleman again for organizing this Special Order and highlighting in such a coherent fashion the dilemma we are in and the challenges we face.

Mr. ALLEN. Mr. Speaker, I thank the gentleman for being part of this debate. I know we can do better, and we will do our best to do better.

CHALLENGES FACING AMERICA: THE BUDGET AND IMMIGRATION REFORM

The SPEAKER pro tempore (Mr. GRUCCI). Under the Speaker's announced policy of January 3, 2001, the